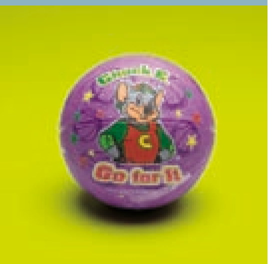
WITH OPEN EARS

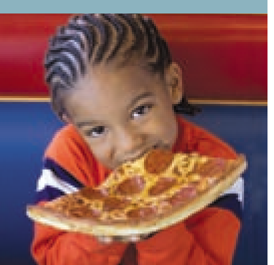
CEC ENTERTAINMENT, INC.

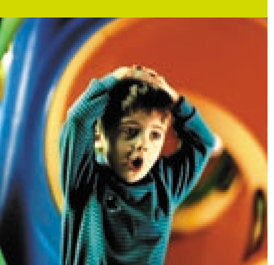
2005 *Annual Report*











WE'VE BEEN LISTENING.

CEC Entertainment, Inc. is a proven leader with a history of success built on a fun-filled experience unlike any other. We take pride in knowing we're the best at what we do — and we're passionate about making things even better. That's why we've been listening to everyone who's a part of the unique Chuck E. Cheese's experience. Listening to kids, parents, employees, and our own marketing experts. What we've heard are powerful ideas — dynamic solutions that will be put into action for 2006 and beyond to grow our concept, provide an outstanding product, drive sales, and increase long-term profitability.

OUR EARS ARE OPEN. OUR SENSES ARE SHARP. OUR FOCUS IS ON SUCCESS.

Listening to Kids



To Our SHAREHOLDERS:

2005 FINANCIAL RESULTS

Overcoming New Issues with Continued Strength.

2005 was a year of challenges for CEC Entertainment, Inc. The economic environment was difficult, with higher gasoline prices skewing the discretionary spending decisions of our customers and hurricanes Katrina and Rita causing the loss of over 700 store operating days in affected regions. As a result, for the first time in a decade, there was a reduction in net income from the previous year. In spite of these factors, we remained financially solid and committed to our future with a strong cash flow for executing our core growth strategies.

2005 ACCOMPLISHMENTS

The Power to Stay Focused.

While presented with some unexpected obstacles, we were able to maintain an unwavering commitment to our core growth strategies. We invested $91 million into our concept — impacting nearly 35% of our core stores with components that have historically been proven to drive sales growth. A total of 25 new restaurant-entertainment centers were opened, 2 stores were acquired from franchisees, and 137 more were re-modeled or expanded, or had their games refreshed. We also repurchased $117 million in outstanding shares, while announcing a $400 million stock repurchase plan that was approximately 15% complete at year end.

A PROACTIVE PLAN FOR TODAY, TOMORROW, AND BEYOND.

Chuck E. Cheese's offers one of the most unique, popular, and enduring family dining and entertainment experiences in the marketplace. A playful and ever-youthful character, Chuck E. Cheese has become a universally recognized icon of fun — shown by independent research to be more popular among kids ages 6 to 8 than Mickey Mouse®, Barbie®, Barney®, Spiderman®, Ronald McDonald®, and scores of other top-rated characters.

Our safe, wholesome environment has made us the unrivaled Birthday Capital of the Universe®, with more than two million parties hosted annually. And today, parents who were members of our first generation of customers are now bringing their kids to Chuck E. Cheese's to create all-new memories. Building on this strong foundation of success, we plan to remain dedicated to advancing our core concept — winning the increasing battle for disposable income and giving families more reasons to visit.

Keeping the Fun Fresh In order to expand our leadership role in the family entertainment segment, we anticipate a development pace of 26-30 stores per year, with a goal of an additional 80-90 new stores, including relocations, in the next three years. We will also commit $38 million to remodels, store expansions, and game enhancements, targeting approximately 140 stores by the end of 2006. Upon completion, each new and remodeled store will have a brighter, more dynamic atmosphere and feature a wider variety of games for different age groups, including simulators, games of skill, and exclusive releases.

Striking Up the Brand Our standing television campaign of 15-second commercials generates millions of favorable brand impressions with kids across the United States. In an effort to maximize this impact, 25% of our 2006 plan will now feature 30-second commercials, shown to generate greater child involvement in preliminary testing. In addition, the increased length provides more time for brand interaction and the explanation of promotions. The results of this change will be carefully evaluated on an ongoing basis, giving us the flexibility to integrate more 30-second commercials as needed.

Supported by the new longer television commercials, in conjunction with free-standing inserts and www.chuckecheese.com, the "Every Kid's a Winner" promotion will be rolled out nationally during the first quarter of 2006. By giving kids a head start on all the excitement with an instant-win game piece for the chance to win 5 to 20 free tokens, we expect this compelling, kid-centered call-to-action to drive traffic and increase sales.

Hitting a High Note with Value Focus groups have revealed that coupons with affordable package deals and buy-get offers for tokens help parents define the cost and give them a sense of comfort in making the decision to visit Chuck E. Cheese's. This year parents can expect more value than ever, as we increase our nationwide coupon frequency from 13 to 16 free-standing inserts featuring attractively priced package deals and generous token offers. For kids, value is all about the prizes, which is why we'll be testing an improved display,



Listening to Parents



Listening to Employees

upgraded prizes, and a wider assortment of ticket categories to increase the variety and provide meaningful rewards.

Staying in Tune with Local Communities Beyond celebrating family fun, Chuck E. Cheese's is also committed to local families and communities through an ongoing support of local schools. In 2006 we'll help schools turn fun into funds by increasing proceeds earned at "Cool for Your School Fundraising Nights" from 10 percent to 15 percent. While fostering goodwill by assisting parents and teachers with fundraising efforts, these events also increase traffic during traditionally slower parts of the week. We'll also continue to reach out directly to kids by offering free tokens for good grades. And, we'll support their desire to learn by continuing to underwrite quality Public Broadcasting System programming like Clifford the Big Red Dog, Barney, Arthur, Berenstain Bears, and Caillou.

Ensuring Every Guest Leaves Happy At every level, Chuck E. Cheese's leadership is focused on the ultimate end-benefit of our product – the experience. Our people are loyal, passionate, and committed to driving success through customer satisfaction. Our 50+ district and regional managers have an average tenure of more than 15 years, and our senior management team's tenure of 19 years is among the longest in the industry. Pretty amazing statistics, when one considers that our company is only 27 years old. With this wealth of experience, we will draw upon the exceptional talent of our people for the quality execution of every aspect of our plans for 2006 and beyond.

IF YOU LISTEN CLOSELY, YOU CAN HEAR THE FUTURE...

Our senses are honed. Our sights are set on evolving the concept and furthering our core growth strategy. We're committed to taking advantage of every opportunity to improve our product, increase traffic, and drive long-term shareholder value. The solution is loud and clear. Our guests and employees all have a significant say in our future – and we're listening with open ears. *Thank you for your continued support and confidence.*





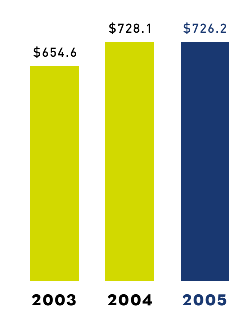
Richard M. Frank
Chairman, Chief Executive Officer

Michael H. Magusiak
President

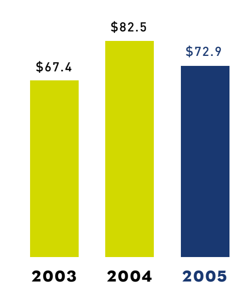
Financial HIGHLIGHTS

In 2005 CEC Entertainment, Inc. earned $73 million, experiencing its first net income decline in a decade. However, the company remained financially strong and dedicated to its core growth strategies. During the year, 25 new restaurant-entertainment centers were opened, 2 stores were acquired from franchisees, and a total of 137 remodels, expansions, and game enhancements were completed. Additionally, $117 million in outstanding shares of common stock were repurchased. These actions represent management's belief in the business and are reflective of a commitment to drive long-term shareholder value.

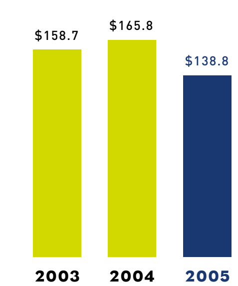
(Thousands, except per share and store data)	2005	2004	2003
OPERATING RESULTS			
Revenues	$ 726,163	$ 728,079	$ 654,598
Income before taxes	117,951	133,765	110,098
Net income	72,877	82,532	67,381
EARNINGS PER SHARE			
Basic	$ 2.08	$ 2.22	$ 1.70
Diluted	2.01	2.15	1.66
OTHER INFORMATION			
Total assets	$ 650,328	$ 612,017	$ 582,983
Long-term obligations (including current portion)	166,568	100,808	84,259
Shareholders' equity	334,556	360,730	364,323
CHANGE IN COMPARABLE STORE SALES			
Chuck E. Cheese's	-2.3%	2.0%	-0.3%
NUMBER OF RESTAURANTS AT YEAR END			
Company operated	475	449	418
Franchise	44	46	48
Total	519	495	466



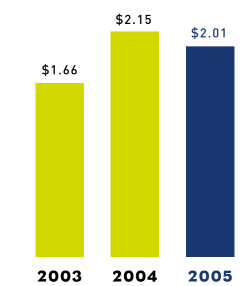
REVENUES
(In Millions)



NET INCOME
(In Millions)



CASH PROVIDED BY OPERATIONS
(In Millions)



DILUTED EARNINGS PER SHARE

BOARD OF DIRECTORS

Richard M. Frank
Richard T. Huston
Michael H. Magusiak
Larry T. McDowell
Tim T. Morris
Louis P. Neeb
Cynthia I. Pharr Lee
Walter Tyree
Raymond E. Wooldridge

OFFICERS

Richard M. Frank
Chairman of the Board/
Chief Executive Officer

Michael H. Magusiak
President

John R. Cardinale
Executive Vice President
Development and Purchasing

Gene Cramm
Executive Vice President
Games, Entertainment,
Franchise and
Concept Evolution

Mark A. Flores
Executive Vice President
Operations

Richard T. Huston
Executive Vice President
Marketing

Christopher D. Morris
Executive Vice President
Chief Financial Officer

Thomas W. Oliver
Executive Vice President
General Counsel

Randy Forsythe
Senior Vice President
Operations, Northern Region

Catherine R. Olivieri
Senior Vice President
Human Resources,
Risk Management, Benefits

Sandra J. Brown
Vice President
Payroll, Accounts Payable
and Inventory

Kenny L. Bullock
Vice President
Real Estate

Joe Elliott
Vice President
Research And Development

Marshall R. Fisco, Jr.
Vice President
Legal and Corporate Secretary

Steven Hatton
Vice President
Operations, Field Support

Michael H. Johnson
Vice President
Purchasing

Marc T. Kerum
Vice President
Operations, Southwest Region

James Mabry
Vice President
Controller
Treasurer

Don L. McKechnie
Vice President
Development, Construction

Ahmet Oner
Vice President
Management Information
Systems

Lois F. Perry
Vice President
Advertising

Odom Sherman, Jr.
Vice President
Taxes

Jeff S. Smith
Vice President
Operations, Western Region

Gary Spring
Vice President
Operations, Midwest Region

Mark Wallace
Vice President
Operations, Southern Region

Alice Winters
Assistant Corporate Secretary

The officers identified above are employed by CEC Entertainment, Inc. and its subsidiaries.

CORPORATE INFORMATION

Executive Offices
4441 West Airport Freeway
P.O. Box 152077
Irving, Texas 75015
972/258-8507

Annual Shareholder Meeting
May 18, 2006
9:00 AM
Dallas / Fort Worth Airport Marriott South
4151 Centreport Drive
Fort Worth, Texas

Stock Transfer Agent and Registrar

Mailing Address:
Computershare Limited
P.O. Box 43023
Providence, RI 02940

Overnight Address:
Computershare Limited
250 Royall St
Canton, MA 02021

Shareholder Services:
Telephone) 877/498-8865
Internet) www.equiserve.com

Stock Listing
The Company's common stock is traded on the New York Stock Exchange under the symbol "CEC."

Independent Auditors
Deloitte & Touche, LLP
2200 Ross Avenue
Suite 1600
Dallas, Texas 75201

10-K Availability
The Company will furnish any shareholder, without charge, a copy of the Company's annual report filed with the Securities and Exchange commission on Form 10-K for the 2005 fiscal year (including the financial statements and schedules thereto) upon written request from the shareholder addressed to:

Secretary
CEC Entertainment, Inc.
4441 West Airport Freeway
P.O. Box 152077
Irving, Texas 75015

CEO/CFO Certifications
On March 17, 2006, the Company submitted its annual Section 303A CEO Certification to the New York Stock Exchange. The Company also filed the CEO and CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to its Annual Report on Form 10-K for the year ended January 1, 2006.

Annual Report Design
Squires & Company, Dallas











CEC

entertainment, inc.



CEC ENTERTAINMENT INC.
2005 ANNUAL REPORT
(Narritave Portion Only)

Date of Origin: 2005
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Submission by VegaNova
Version 1.0